

Montezuma Community School District

**Independent Auditor's Reports
Basic Financial Statements
and Supplementary Information
Schedule of Findings**

June 30, 2004

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Montezuma Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2003 Election)

Gary Smith	President	2005
Gina Freeborn	Board Member	2004
Greg Long	Board Member	2003
James Smothers	Board Member	2004
Mike Phillips	Board Member	2003

Board of Education

(After September 2003 Election)

Gary Smith	President	2005
Greg Long	Board Member	2006
Mike Phillips	Board Member	2006
Gina Freeborn	Board Member	2004
James Smothers	Board Member	2004

School Officials

Billy Cox	Superintendent	2004
Barbara J. Albin	District Secretary - Treasurer	2004
Randy DeGeest	District Attorney	2004

Independent Auditor's Report

To the Board of Education of
Montezuma Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Montezuma Community School District, Montezuma, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Montezuma Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 10 to the financial statements, during the year ended June 30, 2004, Montezuma Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis- for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated October 11, 2004 on our consideration of Montezuma Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary information on pages 4 through 13 and 37 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Montezuma Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ROLAND & DIELEMAN

Certified Public Accountants

October 11, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Montezuma Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$4,399,454 in fiscal 2003 to \$4,356,459 in fiscal 2004, while General Fund expenditures decreased from \$4,231,784 in fiscal 2003 to \$4,231,307 in fiscal 2004. The District's General Fund balance increased from \$(176,821) in fiscal 2003 to \$(60,669) in fiscal 2004, a 66% increase.
- A decline in interest rates during the past three fiscal years resulted in interest earnings in the General Fund alone decreasing from \$6,960 in fiscal 2003 to \$3,974 in fiscal 2004.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Montezuma Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Montezuma Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for when Montezuma Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

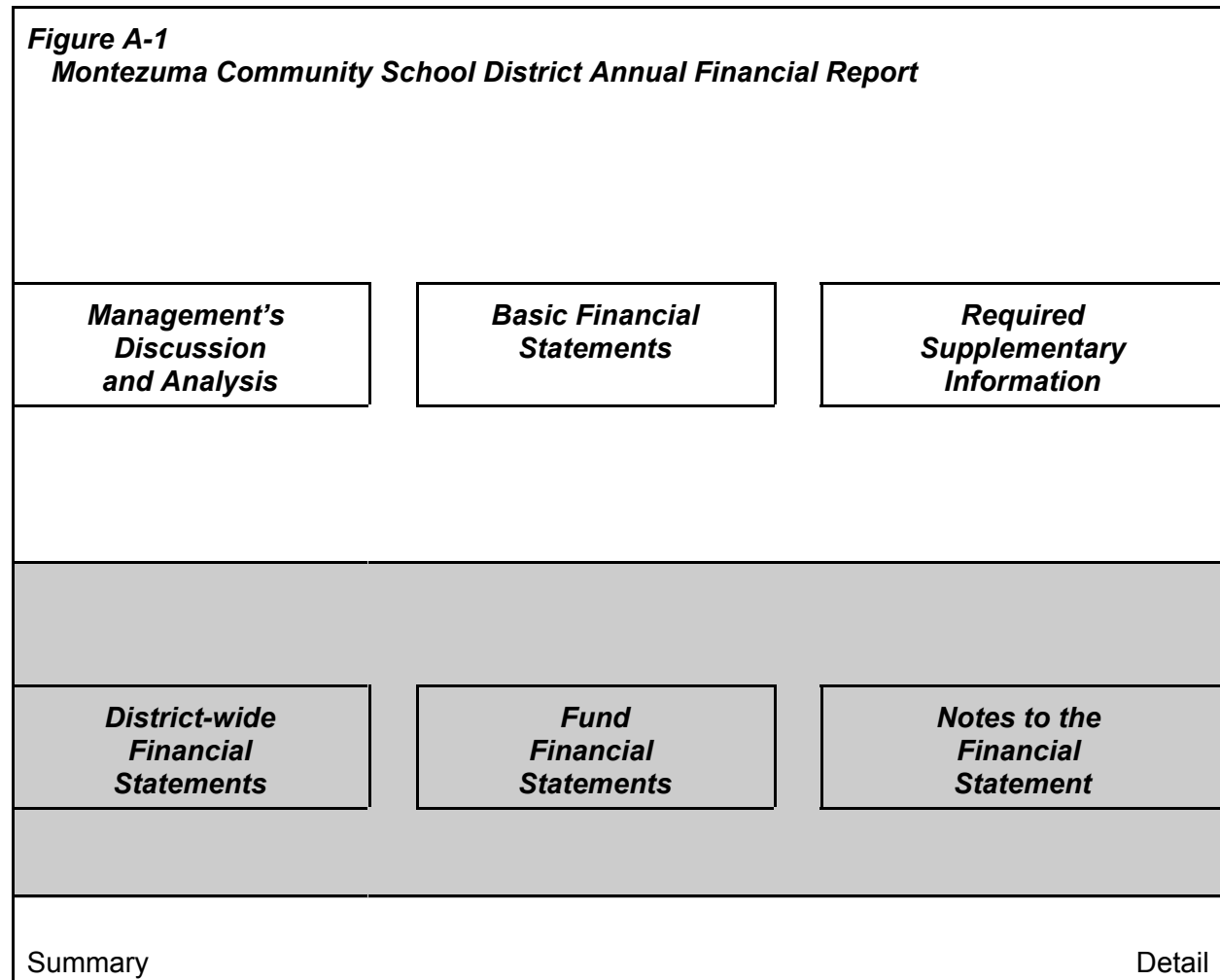


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset / liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow / outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the

same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2004 compared to June 30, 2003.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Current and other assets	\$4,016	3,375	8	6	4,024	3,381	19.0%
Capital assets	<u>1,015</u>	<u>5,626</u>	<u>5</u>	<u>5</u>	<u>1,020</u>	<u>5,631</u>	(82.0%)
Total assets	<u>5,031</u>	<u>9,001</u>	<u>13</u>	<u>11</u>	<u>5,044</u>	<u>9,012</u>	(44.0%)
Long-term liabilities	111	418	0	0	111	418	(73.4%)
Other liabilities	<u>3,932</u>	<u>3,288</u>	<u>4</u>	<u>1</u>	<u>3,936</u>	<u>3,289</u>	(19.7%)
Total liabilities	<u>4,043</u>	<u>3,706</u>	<u>4</u>	<u>1</u>	<u>4,047</u>	<u>3,707</u>	<u>9.2%</u>
Net assets:							
Investments in capital assets,							
net of related debt	752	5,208	5	5	757	5,213	(85.5%)
Restricted	345	97	0	0	345	97	255.7%
Unrestricted	(109)	(10)	<u>4</u>	<u>5</u>	(105)	(5)	(2000.0%)
Total net assets	<u>\$ 988</u>	<u>5,295</u>	<u>9</u>	<u>10</u>	<u>997</u>	<u>5,305</u>	(81.2%)

The District's combined net assets decreased by nearly 81.2%, or approximately \$4,308,000 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$248,000 or 255% over the prior year.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased approximately \$100,000, or 2000%.

Figure A-4 shows the change in net assets for the year ended June 30, 2004.

Figure A-4
Changes in Net Assets
(Expressed in Thousands)

	Governmental Activities	Business type Activities	Total District
Revenues:			
Program revenues:			
Charges for service	\$ 635	115	750
Operating grants, contributions and restricted interest	494	78	572
General revenues:			
Property tax	1,860		1,860
Local option sales and service tax	267		267
Unrestricted state grants	1,616		1,616
Unrestricted investment earnings	5		5
Other	<u>152</u>	<u>—</u>	<u>152</u>
Total revenues	5,029	193	5,222
Program expenses:			
Governmental activities:			
Instruction	3,273		3,273
Support services	1,139		1,139
Non-instructional programs		194	194
Other expenses	<u>330</u>	<u>—</u>	<u>330</u>
Total expenses	<u>4,742</u>	<u>194</u>	<u>4,936</u>
Change in net assets	\$ <u>287</u>	(<u>1</u>)	<u>286</u>

Property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,028,237 and expenses were \$4,741,735. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services	Net Cost of Services
Instruction	\$ 3,273	2,304
Support services	1,139	1,139
Other expenses	<u>330</u>	<u>170</u>
Totals	<u>\$ 4,742</u>	<u>3,613</u>

The cost financed by users of the District's programs was \$634,780.

- Federal and state governments subsidized certain programs with grants and contributions totaling \$493,633.
- The net cost of governmental activities was financed with \$2,278,907 in property and other taxes and \$1,615,775 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$192,655 and expenses were \$193,614. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Montezuma Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$986,850, well above last year's ending fund balances. The primary reason for the increase is sales tax revenue.

Governmental Fund Highlights

- The District's improved General Fund financial position is the result of many factors. Growth during the year in tax resulted in an increase in revenues. The increase in revenues was more than the District's increase in General Fund expenditures.
- The General Fund balance increased from \$(176,822) to \$(60,669).
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$66,078 in fiscal 2003 to \$60,302 in fiscal 2004.
- The Capital Projects Fund balance increased due to sales tax revenue of \$267,996.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$10,258 at June 30, 2003 to \$9,299 at June 30, 2004, representing a decrease of approximately 9%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Montezuma Community School District amended its annual budget one time to reflect additional expenditures.

The District's receipts were \$2,022 less than budgeted receipts, a variance of .04%.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund and support services. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$1 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$91,712.

The original cost of the District's capital assets was \$3.3 million.

Figure A-6			
Capital Assets, net of Depreciation			
(expressed in thousands)			
	Total District		Total Change
	June 30,		June 30,
	2004	2003	2003-2004
Land	\$ 23	23	(0%)
Buildings	1,324	1,455	(9.0%)
Furniture and equipment	<u>135</u>	<u>109</u>	<u>24%</u>
Totals	<u>\$1,482</u>	<u>1,587</u>	<u>(7.0%)</u>

Long-Term Debt

At June 30, 2004, the District had \$262,075 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 3.7% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District also had total outstanding School Equipment Notes payable from the General Fund or the Physical Plant and Equipment Levy Fund of \$46,174 at June 30, 2004.

Figure A-7			
Outstanding Long-Term Obligations			
(expressed in thousands)			
	Total District		Total Change
	June 30,		June 30,
	2004	2003	2003-2004
General obligation bonds	\$ 145	290	(50%)
Capitalized leases	72	92	(21.7%)
Notes payable	46	0	100%
Early retirement	<u>45</u>	<u>36</u>	<u>24.7%</u>
Totals	<u>\$308</u>	<u>418</u>	<u>(26.3%)</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the

District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Barb Albin, District Secretary/Treasurer, Montezuma Community School District, Montezuma, Iowa, 50171.

Montezuma Community School District
Statement of Net Assets
June 30, 2004

Exhibit A

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents:			
ISCAP	\$ 1,313,671		1,313,671
Other	634,804	4,475	639,279
Receivables:			
Property tax:			
Delinquent	24,759		24,759
Succeeding year	1,836,048		1,836,048
Income tax	141,900		141,900
Accrued interest:			
ISCAP	2,290		2,290
Due from other governments	62,332		62,332
Inventories		3,564	3,564
Capital assets, net of accumulated depreciation	1,014,831	5,291	1,020,122
Total assets	<u>\$ 5,030,635</u>	<u>13,330</u>	<u>5,043,965</u>
Liabilities			
Accounts payable	\$ 19,668	1,308	20,976
Salaries and benefits payable	403,140	2,723	405,863
Due to other governments	10,984		10,984
Deferred revenue - succeeding year property tax and income tax	1,977,948		1,977,948
ISCAP warrants payable	1,306,000		1,306,000
ISCAP accrued interest payable and premium	17,796		17,796
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	145,000		145,000
Capitalized leases	20,455		20,455
Notes payable	22,618		22,618
Early retirement	8,799		8,799
Portion due after on year:			
Early retirement	36,453		36,453
Capitalized leases	51,368		51,368
Notes payable	23,556		23,556
Total liabilities	<u>4,043,785</u>	<u>4,031</u>	<u>4,047,816</u>
Net assets			
Invested in capital assets, net of related debt	751,842	5,291	757,133
Restricted for:			
Physical plant and equipment levy	10,252		10,252
Other special revenue purposes	335,438		335,438
Unrestricted	(110,682)	4,008	(106,674)
Total net assets	<u>\$ 986,850</u>	<u>9,299</u>	<u>996,149</u>

Montezuma Community School District

Exhibit B

Statement of Activities
Year ended June 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
Functions/Programs					
Governmental activities:					
Instruction:					
Regular instruction	\$ 1,857,683	324,767	334,426	(1,198,490)	(1,198,490)
Special instruction	816,666	31,603		(785,063)	(785,063)
Other instruction	<u>598,493</u>	<u>278,410</u>		<u>(320,083)</u>	<u>(320,083)</u>
	<u>3,272,842</u>	<u>634,780</u>	<u>334,426</u>	<u>(2,303,636)</u>	<u>(2,303,636)</u>
Support services:					
Student services	60,648			60,648	60,648
Instructional staff services	121,414			121,414	121,414
Administration services	492,798			492,798	492,798
Operation and maintenance of plant services	324,260			324,260	324,260
Transportation services	<u>140,120</u>			<u>140,120</u>	<u>140,120</u>
	<u>1,139,240</u>			<u>(1,139,240)</u>	<u>(1,139,240)</u>
Other expenditures:					
Facilities acquisition	65,456			65,456	65,456
Long-term debt interest	13,278			13,278	13,278
AEA flowthrough	159,207		159,207		
Depreciation (unallocated)*	<u>91,712</u>			<u>91,712</u>	<u>91,712</u>
	<u>329,653</u>		<u>159,207</u>	<u>(170,446)</u>	<u>(170,446)</u>
Total governmental activities	4,741,735	634,780	493,633	(3,613,322)	(3,613,322)
Business type activities:					
Non-instructional programs:					
Food service operations	<u>193,614</u>	<u>114,651</u>	<u>78,004</u>		(959)
Total	<u>4,935,349</u>	<u>\$749,431</u>	<u>\$571,637</u>	<u>(3,613,322)</u>	<u>(959)</u>
General Revenues:					
Property tax levied for:					
General purposes	1,805,259			1,805,259	1,805,259
Debt service	660			660	660
Capital outlay	53,929			53,929	53,929
Local option sales and services tax	267,208			267,208	267,208
Unrestricted state grants	1,615,775			1,615,775	1,615,775
Unrestricted investment earnings	5,142			5,142	5,142
Income surtax	<u>151,851</u>			<u>151,851</u>	<u>151,851</u>
Total general revenues	<u>\$ 3,899,824</u>			<u>3,899,824</u>	<u>3,899,824</u>
Change in net assets				286,502	(959)
Net assets beginning of year, as restated				<u>700,348</u>	<u>10,258</u>
Net assets end of year				<u>\$ 986,850</u>	<u>\$ 9,299</u>

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

Montezuma Community School District

Exhibit C

See notes to financial statements.

Balance Sheet
Governmental Funds
June 30, 2004

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Assets					
Cash and pooled investments:					
ISCAP	\$ 1,313,671				1,313,671
Other	304,246	60,302	149,717	120,539	634,804
Receivables:					
Property tax:					
Delinquent	23,101			1,658	24,759
Succeeding year	1,691,726			144,322	1,836,048
Accrued interest:					
ISCAP	2,290				2,290
Due from other governments	<u>28,444</u>	<u> </u>	<u>33,888</u>	<u> </u>	<u>62,332</u>
Total assets	<u>\$3,363,478</u>	<u>60,302</u>	<u>183,605</u>	<u>266,519</u>	<u>3,873,904</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 14,766		2,700	2,202	19,668
Salaries and benefits payable	382,876			20,264	403,140
Due to other governments	10,984				10,984
ISCAP warrants payable	1,306,000				1,306,000
ISCAP accrued interest payable and premium	17,796				17,796
Deferred revenue:					
Succeeding year property tax	<u>1,691,726</u>	<u> </u>	<u> </u>	<u>144,322</u>	<u>1,836,048</u>
Total Liabilities	<u>3,424,148</u>	<u> </u>	<u>2,700</u>	<u>166,788</u>	<u>3,593,636</u>
Fund balances:					
Reserved for debt service		60,302			60,302
Unreserved	(79,723)		180,905	99,731	200,913
Reserved for Phase II	4,289				4,289
Reserved for Phase III	2,139				2,139
Iowa Early Intervention	3,317				3,317
Chapter V	5,981				5,981
Drug Free School	<u>3,327</u>	<u> </u>	<u> </u>	<u> </u>	<u>3,327</u>
Total fund balances	<u>(60,670)</u>	<u>60,302</u>	<u>180,905</u>	<u>99,731</u>	<u>280,268</u>
Total liabilities and fund balances	<u>\$3,363,478</u>	<u>60,302</u>	<u>183,605</u>	<u>266,519</u>	<u>3,873,904</u>

See notes to financial statements.

Montezuma Community School District
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2004

Exhibit D

Total fund balances of governmental funds	\$ 280,268
--	------------

***Amounts reported for governmental activities in the
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,014,831
--	-----------

Long-term liabilities, including bonds and notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(<u>308,249</u>)
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Net assets of governmental activities	\$ <u><u>986,850</u></u>
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See notes to financial statements.

Montezuma Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2004

Exhibit E

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Revenues:					
Local sources:					
Local tax	\$ 1,734,856	660		124,332	1,859,848
Tuition	335,115				335,115
Other	177,080	203	267,996	278,587	723,866
State sources	1,984,365				1,984,365
Federal sources	125,043				125,043
Total revenues	<u>4,356,459</u>	<u>863</u>	<u>267,996</u>	<u>402,919</u>	<u>5,028,237</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	1,828,294			27,930	1,856,224
Special instruction	820,977				820,977
Other instruction	315,441			278,084	593,525
	<u>2,964,712</u>			<u>306,014</u>	<u>3,270,726</u>
Support services:					
Student services	60,648				60,648
Instructional staff services	125,909				125,909
Administration services	465,295			30,703	495,998
Operation and maintenance of plant services	312,977			27,623	340,600
Transportation services	142,559			7,097	149,656
	<u>1,107,388</u>			<u>65,423</u>	<u>1,172,811</u>
Other expenditures:					
Facilities acquisition			21,847	43,609	65,456
Long-term debt:					
Principal		145,000			145,000
Interest and fiscal charges		13,278			13,278
AEA flowthrough	159,207				159,207
	<u>159,207</u>	<u>158,278</u>	<u>21,847</u>	<u>43,609</u>	<u>382,941</u>
Total expenditures	<u>4,231,307</u>	<u>158,278</u>	<u>21,847</u>	<u>415,046</u>	<u>4,826,478</u>
Excess (deficiency) of revenues over (under) expenditures	<u>125,152</u>	<u>(157,415)</u>	<u>246,149</u>	<u>(12,127)</u>	<u>201,759</u>
Other financing sources (uses):					
Operating transfers in		151,639			151,639
Operating transfers out	9,000		151,639		160,639
Total other financing sources (uses)	<u>(9,000)</u>	<u>151,639</u>	<u>(151,639)</u>		<u>(9,000)</u>
Net change in fund balances	116,152	(5,776)	94,510	(12,127)	192,759
Fund balances beginning of year, as restated (note 10)	<u>(176,821)</u>	<u>66,078</u>	<u>86,395</u>	<u>111,858</u>	<u>87,510</u>
Fund balances end of year	<u>\$ (60,669)</u>	<u>60,302</u>	<u>180,905</u>	<u>99,731</u>	<u>280,269</u>

See notes to financial statements.

Montezuma Community School District
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities
Year ended June 30, 2004

Exhibit F

Net change in fund balances - total governmental funds **\$ 192,759**

***Amounts reported for governmental activities in the
Statement of Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 75,709	
Depreciation expense	(<u>91,712</u>)	(16,003)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded amounts issued, as follows:

Issued	(46,171)	
Repaid	<u>164,876</u>	118,705

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	(<u>8,959</u>)
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Change in net assets of governmental activities **\$286,502**

See notes to financial statements.

Montezuma Community School District
Statement of Net Assets
Proprietary Fund
June 30, 2004

Exhibit G

School
Nutrition

Assets

Cash and cash equivalents	\$ 4,475
Inventories	3,564
Capital assets, net of accumulated depreciation	<u>5,291</u>
Total assets	<u>13,330</u>

Liabilities

Accounts payable	1,308
Salaries and benefits payable	<u>2,723</u>
Total liabilities	<u>4,031</u>

Net Assets

Invested in capital assets, net of related debt	5,291
Unrestricted	<u>4,008</u>
Total net assets	<u>\$ 9,299</u>

See notes to financial statements.

Montezuma Community School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
Year ended June 30, 2004

Exhibit H

School
Nutrition

Operating revenues:	
Local sources:	
Charges for service	\$ <u>114,651</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	68,168
Benefits	25,754
Purchased services	1,344
Supplies	<u>98,348</u>
Total operating expenses	<u>193,614</u>
Operating loss	(<u>78,963</u>)
Non-operating revenues:	
State sources	1,621
Federal sources	67,349
Interest income	<u>34</u>
Total non-operating revenues	<u>69,004</u>
Transfer	<u>9,000</u>
Change in net assets	(959)
Net assets beginning of year	<u>10,258</u>
Net assets end of year	\$ <u><u>9,299</u></u>

See notes to financial statements.

Montezuma Community School District
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2004

Exhibit I

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 114,651
Cash paid to employees for services	(91,149)
Cash paid to suppliers for goods or services	(91,532)
Net cash used by operating activities	(68,030)
Cash flows from non-capital financing activities:	
State grants received	1,621
Federal grants received	<u>57,065</u>
Net cash provided by non-capital financing activities	<u>58,686</u>
Cash flows from related financing activities:	
Transfer in	<u>9,000</u>
Net cash provided by related financing activities	<u>9,000</u>
Cash flows from investing activities:	
Interest on investments	<u>34</u>
Net decrease in cash and cash equivalents	(310)
Cash and cash equivalents beginning of year	<u>4,785</u>
Cash and cash equivalents end of year	<u>\$ 4,475</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$(78,963)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	10,234
(Increase) in inventories	(2,583)
Increase in accounts payable	509
Increase in salaries and benefits payable	<u>2,773</u>
Net cash used by operating activities	<u>\$(68,030)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$10,234 of federal commodities.

See notes to financial statements.

Montezuma Community School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

Exhibit J

	<u>Private Purpose Trust Scholarship</u>	<u>Agency</u>
Assets		
Cash and pooled investments	\$ <u>49,235</u>	<u>6,323</u>
Total assets	<u>49,235</u>	<u>6,323</u>
Liabilities		
Due to others	<u> </u>	<u>6,323</u>
Total liabilities	<u> </u>	<u>6,323</u>
Net assets		
Reserved for scholarships	<u>\$49,235</u>	

See notes to financial statements.

Montezuma Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year ended June 30, 2004

Exhibit K

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 48,579
Interest income	<u>107</u>
Total additions	48,686
Deductions:	
Support services:	
Scholarships awarded	1,200
Supplies	<u>16,677</u>
Total deduction	<u>17,877</u>
Change in net assets	30,809
Net assets beginning of year	<u>18,426</u>
Net assets end of year	<u>\$49,235</u>

See notes to financial statements.

Montezuma Community School District
Notes to Financial Statements
June 30, 2004

(1) Summary of Significant Accounting Policies

Montezuma Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Montezuma, Iowa, and the predominate agricultural territory in Poweshiek County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Montezuma Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. Montezuma Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Poweshiek County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account to assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinion, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund

is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 3,000
Buildings	3,000
Improvements other than buildings	3,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	30 years
Improvements other than buildings	15 years
Furniture and equipment	3-5 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable and income surtax that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund

financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed amounts budgeted.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements, certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$561,202 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 151,639
School Nutrition	General	<u>9,000</u>
Total		\$ <u>160,639</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each participating entity is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2003-04A	6/20/03	6/18/04	\$ 0	0	0	0
2003-04B	1/30/04	1/28/05	428,902	2,290	426,000	3,538
2004-05A	6/30/04	6/30/05	<u>884,769</u>	<u>0</u>	<u>880,000</u>	<u>0</u>
Total			<u>\$1,313,671</u>	<u>2,290</u>	<u>1,306,000</u>	<u>3,538</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2004 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2003-04A	\$ 0	585,000	585,000	0
2002-03A		<u>50,000</u>	<u>50,000</u>	<u>0</u>
Total	<u>\$ 0</u>	<u>635,000</u>	<u>635,000</u>	<u>0</u>

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04A	2.000%	2.603%
2003-04B	2.000	1.392
2004-05A	1.590	2.458

(5) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year, as restated (note 10)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 52,500			52,500
Total Capital assets not being depreciated	52,500			52,500
Capital assets being depreciated:				
Buildings	2,987,738			2,987,738
Improvements other than buildings	78,999			78,999
Furniture and equipment	109,545	75,709		185,254
Total capital assets being depreciated	3,176,282	75,709		3,251,991
Less accumulated depreciation for:				
Buildings	2,118,516	58,192		2,176,708
Improvements other than buildings	35,439	5,266		40,705
Furniture and equipment	43,993	28,254		72,247
Total accumulated depreciation	2,197,948	91,712		2,289,660
Total capital assets being depreciated, net	978,334	(16,003)		962,331
Governmental activities capital assets, net	\$1,030,834	(16,003)	0	1,014,831

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 17,354	---	---	17,354
Less accumulated depreciation	(12,063)	---	---	(12,063)
Business type activities capital assets, net	<u>\$ 5,291</u>			<u>5,291</u>

Depreciation expense was charged to the following functions:

Unallocated	<u>\$91,212</u>
Total depreciation expense - governmental activities	<u>\$91,212</u>

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	End of Year	Due Within One Year
General obligation bonds	\$ 290,000		145,000	145,000	145,000
Notes payable		46,174		46,174	22,618
Early retirement	36,293	8,959		45,252	8,799
Capitalized leases	<u>91,699</u>		<u>19,876</u>	<u>71,823</u>	<u>20,455</u>
Total	<u>\$ 417,992</u>	<u>55,133</u>	<u>164,876</u>	<u>308,249</u>	<u>196,872</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed ten years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. There were no early retirement expenditures for the year ended June 30, 2004.

General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 1, 1998			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2005	4.5%	<u>\$145,000</u>	<u>6,525</u>	<u>145,000</u>	<u>6,525</u>	<u>151,525</u>
Total		<u>\$145,000</u>	<u>6,525</u>	<u>145,000</u>	<u>6,525</u>	<u>151,525</u>

Notes Payable

During the year ended June 30, 2004, the District issued School Equipment Notes to provide funds for the purchase of equipment. The notes bear interest at 4.75% per annum and is payable from the General Fund or the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the District's indebtedness under the agreements in effect at June 30, 2004 are as follows:

Year Ending June 30,	Principal	Interest	Total	
			Principal	Interest
2005	\$24,683	1,663	24,683	1,663
2006	<u>21,491</u>	<u>467</u>	<u>21,491</u>	<u>467</u>
Total	<u>\$46,174</u>	<u>2,130</u>	<u>46,174</u>	<u>2,130</u>

Capitalized Lease

Details of the District's June 30, 2004 capitalized lease is as follows:

Year Ending June 30,	Bus Lease - April 21, 2003			Tractor Lease - May 15, 2003		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2005	4.05%	\$ 9,922	1,702	0	3,000	0
2006	4.05%	10,324	1,306	0	3,000	0
2007	4.05%	10,743	888			
2008	4.05%	<u>11,178</u>	<u>453</u>			
		<u>\$42,167</u>	<u>4,349</u>	<u>0</u>	<u>6,000</u>	<u>0</u>

Year Ending June 30,	Lights Lease - May 7, 2003			Total		
	Interest Rate	Principal	Interest	Principal	Interest	Total
2005	5.5%	\$ 7,463	1,311	20,385	3,013	23,398
2006	5.5%	7,877	897	21,201	2,203	23,404
2007	5.5%	8,316	401	19,059	1,289	20,348
2008				<u>11,178</u>	<u>453</u>	<u>11,631</u>
		<u>\$23,656</u>	<u>2,609</u>	<u>71,823</u>	<u>6,958</u>	<u>78,781</u>

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The

report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$145,508, \$143,885 and \$149,377 respectively, equal to the required contributions for each year.

(8) Risk Management

Montezuma Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$159,207 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Accounting Change and Restatements

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, was implemented for the year ended June 30, 2004. The interpretation modified when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement Number 37, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments; Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund				Total
	General	Debt Service	Capital Projects	Nonmajor Special Revenue	
Net assets June 30, 2003, as previously reported	\$ <u>(176,821)</u>	<u>66,078</u>	<u>86,395</u>	<u>111,858</u>	87,510
GASB 34 adjustments:					
Capital assets, net of accumulated depreciation of \$					1,030,834
Long-term liabilities:					
Bonds and notes				290,000	
Early retirement				36,297	
Capitalized leases				<u>91,699</u>	(<u>417,996</u>)
Net assets July 1, 2003, as restated					\$ <u>700,348</u>

Montezuma Community School District
 Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund
 Required Supplementary Information
 Year ended June 30, 2004

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	<u>Budgeted Amounts</u>		Final to Actual Variance
				Original	Final	
Receipts:						
Local sources	\$ 2,915,250	114,685	3,029,935	2,982,908	2,982,908	47,027
State sources	1,961,330	1,621	1,962,951	2,080,108	2,080,108	(117,157)
Federal sources	<u>125,043</u>	<u>57,065</u>	<u>182,108</u>	<u>114,000</u>	<u>114,000</u>	<u>68,108</u>
Total receipts	<u>5,001,623</u>	<u>173,371</u>	<u>5,174,994</u>	<u>5,177,016</u>	<u>5,177,016</u>	<u>(2,022)</u>
Disbursements:						
Instruction	3,262,320		3,262,320	3,306,000	3,406,000	143,680
Support services	1,172,811		1,172,811	1,295,930	1,395,930	223,119
Non-instructional programs		182,681	182,681	210,000	235,000	52,319
Other expenditures	<u>382,941</u>		<u>382,941</u>	<u>430,023</u>	<u>430,023</u>	<u>47,082</u>
Total disbursements	<u>4,818,072</u>	<u>182,681</u>	<u>5,000,753</u>	<u>5,241,953</u>	<u>5,466,953</u>	<u>466,200</u>
Deficiency of receipts under disbursements	183,551	(9,310)	174,241	(64,937)	(289,937)	464,178
Other financing sources, net	(<u>9,000</u>)	<u>9,000</u>				
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	174,551	(310)	174,241	(64,937)	(289,937)	464,178
Balances beginning of year	<u>460,253</u>	<u>4,785</u>	<u>465,038</u>	<u>466,112</u>	<u>466,112</u>	(<u>1,074</u>)
Balances end of year	\$ <u>634,804</u>	<u>4,475</u>	<u>639,279</u>	<u>401,175</u>	<u>176,175</u>	<u>463,104</u>

Montezuma Community School District
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 5,001,623	26,614	5,028,237
Expenditures	<u>4,827,072</u>	<u>8,406</u>	<u>4,835,478</u>
Net	174,551	18,208	192,759
Beginning fund balances	<u>460,253</u>	<u>(372,743)</u>	<u>87,510</u>
Ending fund balances	\$ <u><u>634,804</u></u>	<u><u>(354,535)</u></u>	<u><u>280,269</u></u>

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 182,371	10,284	192,655
Expenses	<u>182,681</u>	<u>(10,933)</u>	<u>193,614</u>
Net	(310)	(649)	(959)
Beginning net assets	<u>4,785</u>	<u>5,473</u>	<u>10,258</u>
Ending net assets	\$ <u><u>4,475</u></u>	<u><u>4,824</u></u>	<u><u>9,299</u></u>

See accompanying independent auditor's report.

Montezuma Community School District
Notes to Required Supplementary Information - Budgetary Reporting
Year ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$225,000.

During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted.

See accompanying independent auditor's report.

Montezuma Community School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2004

Schedule 1

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 14,573	96,433	9,533	120,539
Receivables:				
Property tax:				
Delinquent	939		719	1,658
Succeeding year	<u>94,214</u>	<u> </u>	<u>50,108</u>	<u>144,322</u>
Total assets	<u>\$109,726</u>	<u>96,433</u>	<u>60,360</u>	<u>266,519</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$	2,202		2,202
Salaries and benefits payable	20,264			20,264
Deferred revenue:				
Succeeding year property tax	<u>94,214</u>	<u> </u>	<u>50,108</u>	<u>144,322</u>
Total Liabilities	114,478	2,202	50,108	166,788
Fund equity:				
Unreserved fund balances	(<u>4,752</u>)	<u>94,231</u>	<u>10,252</u>	<u>99,731</u>
Total liabilities and fund equity	<u>\$109,726</u>	<u>96,433</u>	<u>60,360</u>	<u>266,519</u>

See accompanying independent auditor's report.

Montezuma Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year ended June 30, 2004

Schedule 2

	Management Levy	Student Activity	Student Activity	Total
Revenues:				
Local sources:				
Local tax	\$ 70,403		53,929	124,332
Other	<u>97</u>	<u>278,410</u>	<u>80</u>	<u>278,587</u>
Total revenues	<u>70,500</u>	<u>278,410</u>	<u>54,009</u>	<u>402,919</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	19,950		7,980	27,930
Other instruction		278,084		278,084
Support services:				
Administration services	30,703			30,703
Operation and maintenance of plant services	21,343		6,280	27,623
Student transportation	7,097			7,097
Other expenditures:				
Facilities and equipment acquisition			<u>43,609</u>	<u>43,609</u>
Total expenditures	<u>79,093</u>	<u>278,084</u>	<u>57,869</u>	<u>415,046</u>
Excess (deficiency) of revenues over (under) expenditures	(8,593)	326	(3,860)	(12,127)
Fund balances beginning of year, as restated	<u>3,841</u>	<u>93,905</u>	<u>14,112</u>	<u>111,858</u>
Fund balances end of year	\$(<u>4,752</u>)	<u>94,231</u>	<u>10,252</u>	<u>99,731</u>

See accompanying independent auditor's report.

Montezuma Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2004

Schedule 3

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 20,773	52,709	55,482	18,000
Band uniform fund	2,726	539	—	3,265
Baseball	2,919	8,330	10,252	997
Boy's basketball fund	3,417	2,307	3,338	2,386
Canned pop	(129)	5,907	3,978	1,800
Cheerleaders	1,401	7,155	6,942	1,614
Class of 2009	—	5	—	5
Class of 2003	21	—	21	—
Class of 2004	1,891	1,113	2,393	611
Curtain callers	826	1,505	2,230	101
Drill team	501	—	—	501
Elementary activity	4,612	5,446	6,349	3,709
Football fund	—	835	635	200
Future Farmers of America	6,223	57,766	53,400	10,589
Future Homemakers of America	416	—	416	—
German club	4,691	230	980	3,941
Girls basketball camp	6,780	5,856	5,284	7,352
Golf	637	—	269	368
Instrumental music	916	1,032	1,390	558
Interest	2,764	446	—	3,210
Junior high student council	658	361	24	995
Publications	4,650	12,423	12,560	4,513
Senior high student council	599	196	268	527
Spanish	52	—	—	52
Special projects	4,394	679	79	4,994
Summer recreation	3,092	2,100	1,695	3,497
Technology Club	—	1,035	841	194
Torch club	269	298	366	201
Vocal music	4,413	3,133	2,508	5,038
School Fitness Program	5,271	47,628	52,891	8
Elementary Media Center	2,335	8,233	6,297	4,271
Jr - Sr High Birthday Club	8	—	—	8
Good News Program	1,133	1,754	1,344	1,543
FCCLA	367	792	607	552
Class of 2007	135	440	—	575
Class of 2005	1,622	9,787	11,093	316
Class of 2006	50	4,546	837	3,759
Graduated class	423	21	—	444
5 th grade field trips	451	—	—	451
Junior High Heritage Trip	—	29,250	29,050	200
Wrestling	2,598	3,469	3,419	2,648
Volleyball	—	1,059	846	213
Class of 2008	—	25	—	25
Total	<u>\$93,905</u>	<u>278,410</u>	<u>278,084</u>	<u>94,231</u>

See accompanying independent auditor's report.

Montezuma Community School District
Schedule of Changes in Fiduciary Assets and Liabilities -
Agency Fund
Year ended June 30, 2004

Schedule 4

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ <u>5,835</u>	<u>17,399</u>	<u>16,911</u>	<u>6,323</u>
Total assets	<u>\$ <u>5,835</u></u>	<u><u>17,399</u></u>	<u><u>16,911</u></u>	<u><u>6,323</u></u>
Liabilities				
Accounts payable	\$ 81		81	
Due to others	<u>5,754</u>	<u>569</u>	<u> </u>	<u>6,323</u>
Total liabilities	<u>\$ <u>5,835</u></u>	<u><u>569</u></u>	<u><u>81</u></u>	<u><u>6,323</u></u>

See accompanying independent auditor's report.

Montezuma Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Four Years

Schedule 5

	2004	Years ended June 30,		2001
		2003	2002	
Revenues:				
Local sources:				
Local tax	\$ 1,859,848	1,829,992	1,786,606	1,705,431
Tuition	335,115	337,631	326,929	413,576
Other	723,866	666,983	240,473	237,802
State sources	1,984,365	1,954,428	1,885,573	1,858,541
Federal sources	125,043	246,883	161,597	90,129
Total	<u>\$ 5,028,237</u>	<u>5,035,917</u>	<u>4,401,178</u>	<u>4,305,479</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 1,856,224	2,020,555	1,884,440	1,740,661
Special instruction	820,977	518,519	651,208	627,681
Other instruction	593,525	749,800	521,487	491,685
Support services:				
Student services	60,648	79,032	106,361	106,156
Instructional staff services	125,909	92,326	111,626	132,110
Administration services	495,998	469,172	499,287	467,342
Operation and maintenance of plant services	340,600	321,200	413,053	384,495
Transportation services	149,656	163,941	128,965	166,603
Other expenditures:				
Facilities acquisition	65,456	21,480	51,389	81,157
Long-term debt:				
Principal	145,000	140,000	130,000	125,000
Interest and other charges	13,278	19,438	25,093	30,468
AEA flow-through	159,207	158,680	155,050	157,711
Total	<u>\$ 4,826,478</u>	<u>4,754,143</u>	<u>4,677,959</u>	<u>4,511,069</u>

See accompanying independent auditor's report.

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Board of Education of the
Montezuma Community School District:

We have audited the financial statements of Montezuma Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated October 11, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Montezuma Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the district's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Montezuma Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. A reportable condition involves a matter coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Montezuma Community School District and other parties to whom Montezuma Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Montezuma Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ROLAND & DIELEMAN

Certified Public Accountants

October 11, 2004

Montezuma Community School District
Schedule of Findings
Year ended June 30, 2004

Part I: Findings Related to the Financial Statements:

REPORTABLE CONDITION:

I-A-04 Segregation of Duties - The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure adequate internal control. This is not unusual in school District's of your size, but the Board should constantly be aware of this condition and realize that concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in the Board's knowledge of matters relating to the District's operations.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to investigate alternatives to this problem.

Conclusion - Response accepted.

Montezuma Community School District
Schedule of Findings
Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

- II-A-04 Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.
- II-B-04 Certified Budget - Disbursements for the year ended June 30, 2004, did not exceed the amounts budgeted.
- II-C-04 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-D-04 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-04 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-F-04 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-04 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- II-H-04 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- II-I-04 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-J-04 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

Montezuma Community School District
Staff

This audit was performed by:

Royal Roland, CPA
Roger Roland, CPA
Edwin Dieleman, CPA